

KeldaGroup



**Matters Reserved for the Board of
Kelda Holdings Limited**

November 2020

Introduction

These are the matters that are reserved for the Board of Kelda Holdings Limited. These matters have been determined with reference to the following:

- Companies (Jersey) Law 1991
- Companies Act 2006
- The Articles of Association of Kelda Holdings Limited – November 2007
- UK Corporate Governance Code – July 2018
- Wates Corporate Governance Principles for Large Private Companies – December 2018
- Shareholders' Agreement – March 2010
- ICSA Standard Matters Reserved for the Board

Definitions

Business Plan	The business plan for the Group relating to the current financial year and any subsequent financial years within the current Asset Management Period, to be updated annually.
Dividend Policy	As defined in clause 10.1 of the Shareholders' Agreement.
Group	Kelda Holdings Limited and all its subsidiary companies, including Yorkshire Water Services Limited.
Material Subsidiary	Any member of the Group a) the consolidated assets of which exceed 5% of the consolidated gross assets of the Group; and b) the consolidated gross revenues of which exceed 5% of the consolidated gross revenues of the Group, based on the most recent consolidated financial statements of the Group.
Shareholders' Agreement	The agreement between Kelda Holdings Limited, Citi Infrastructure Investments (UK Water) Ltd, Epsom Investments PTE Limited, Wharfedale Acquisitions Limited, Wharfedale III Limited and Infrastructure Saxon SA RL, dated 23 March 2010.

Schedule of Matters Reserved for the Board

1. Leadership, Strategy and Management	
1.1	Responsibility for the overall leadership of the Group.
1.2	Approval of the Group's purpose, values and strategy.
1.3	Approval of the Group's annual operating and capital expenditure budgets and Business Plan and any material changes to them.
1.4	Oversight of the Group's operations, ensuring: <ul style="list-style-type: none"> ▪ Competent and prudent management; ▪ Sound planning; ▪ The maintenance of sound management, internal controls and risk management systems; ▪ Adequate accounting and other records; and ▪ Compliance with statutory and regulatory obligations.
1.5	Matters having a potentially material impact on the future financial performance of the Group.
1.6	Significant changes relating to the organisational and operational structure of the Group, including the management and control structure.
1.8	The giving (or amending) of operational guidelines to Yorkshire Water Services Limited, subject to the requirements of compliance with the Instrument of Appointment, the Water Industry Act 1991 and any other relevant regulatory regime.
1.9	Any decision to cease to operate all or any material part of the Group's business, including any fundamental change in any Group company's existing line of business.
1.10	Any sale of all or substantially all the assets of the Group to any entity which is not a member of the Group.
1.11	The commencement of any new line of business outside the ordinary course of business of the Group or in a new geographic area. For these purposes, businesses which do not involve the transportation and treatment of water and waste shall be deemed to be outside the ordinary course of business.
2. Structure, Capital, Funding and Investments	
2.1	Changes relating to the capital structure of Kelda Holdings Limited.

2.2	The initiation or completion of any listing, save that no investor shall be forced to sell its shares as a result of or as part of such listing.
2.3	The allotment by any Group company of equity securities (or securities exchangeable or exercisable for, or convertible into, equity securities).
2.4	The allotment by any Group company of equity securities (or securities exchangeable or exercisable for, or convertible into, equity securities) on a non-pre-emptive basis, except for a) intra-group allotments between Kelda Holdings Limited and its wholly-owned subsidiaries; and b) any allotment of equity securities pursuant to and in accordance with clause 3.3 of the Shareholders' Agreement.
2.5	Any repurchase or redemption by any Group company of its equity securities, other than repurchases or redemptions of equity securities held by members of management of any Group company made in the ordinary course of business in connection with the termination of employment of such members of management.
2.6	The exercise, or material modification of the terms of, any option held by Kelda Holdings Limited or any of its subsidiaries to acquire equity securities or assets for aggregate consideration in excess of £50 million from a person other than a wholly-owned subsidiary of Kelda Holdings Limited.
2.7	The creation, assumption, guarantee, refinancing or prepayment of any indebtedness or derivatives liability, or the granting of an encumbrance over any Group company or any Group company's assets in connection with any indebtedness or derivatives liabilities, or any related series of indebtedness or derivatives liabilities, in excess of £100 million or amending in any material respect the terms of any indebtedness or derivatives liability in excess of £100 million.
2.8	The adoption of, and any material changes to, any Group company's investment or underwriting guidelines.
2.9	Any material change, amendment or variation to any of the Financing Documents (as defined in the Shareholders' Agreement) or any request for any waiver thereunder or any entry into any new loan or loan facility.
2.10	Any refinancing of the indebtedness of the Group.
2.11	Any factoring of any of the debts of Kelda Holdings Limited or any Group company.
2.12	Any decision not to pay interest on any investor loans in accordance with the relevant conditions of the Financing Documents.

2.13	Any hire purchase, rental or leasing agreement the total capital cost of which, or when aggregated with all other such commitments already entered into by Kelda Holdings Limited and its subsidiaries, will be at any time in excess of the amount provided for in the budget.
2.14	Any acquisition or disposal by any Group company (whether in a single transaction or series of transactions) of any business (or any material part of any business) or any shares in any undertaking where the aggregate value of the acquisition or disposal exceeds £50 million.
2.15	The entry into by any Group company of any joint venture arrangement requiring a capital contribution in excess of £25 million.
2.16	The creation of any non-wholly owned subsidiary of any Group company.
2.17	Any changes to the status of Kelda Holdings Limited as a private limited company.
3. Financial Reporting, Risks and Controls	
3.1	Any capital expenditure outside of the approved Group budget or Business Plan in excess of £75 million (total projected expenditure over the life of the relevant project or projects).
3.2	The interim and full-year company and consolidated Annual Report and Financial Statements for Kelda Holdings Limited.
3.3	Any material amendment to the Dividend Policy of Kelda Holdings Limited as set out in the Shareholders' Agreement, or the declaration or payment of any dividend or other distribution outside of the terms of the Dividend Policy.
3.4	Approval of any declaration or payment of dividends or other distributions by any Group company, other than intra-group dividends or distributions made by wholly owned subsidiaries within the Group.
3.5	Approval of the risk appetite statement for the Group and oversight of the effectiveness of the Group's risk and control processes, including the framework to identify emerging risks to the Group.
3.6	Determining the nature and extent of the principal risks the Group is willing to take.

4. Regulatory Matters	
4.1	The content and subject matter of material submissions to Ofwat, or discussions with Ofwat, in relation to the Instrument of Appointment of Yorkshire Water Services Limited, which may or might reasonably be expected to result in a need for Kelda Holdings Limited and / or a member of the Group to raise additional equity finance.
4.2	Any decision by Yorkshire Water Services Limited to reject a recommendation or decision of Ofwat regarding pricing proposals.
4.3	Any matter which could reasonably be expected to result in a material regulatory intervention in relation to any Group company.
5. Contracts	
5.1	Approval of any Delegation Scheme for Kelda Holdings Limited.
5.2	Material contracts of Kelda Holdings Limited, or any Group company, which are not in the ordinary course of business (for example, the granting or receiving of loans and repayments).
5.3	The entry into, or amendment of, any material – in the context of the Group – contractual arrangements by any Group company in the ordinary course of business.
5.4	Approval of any parent company guarantees above £1 million.
5.5	The initiation or conduct of any litigation, arbitration or other dispute resolution procedure involving claim(s) (whether a single claim or series of claims) of a potential value which may have a material impact on the reputation of the Group.
5.6	The settlement of any litigation, arbitration or other dispute resolution procedure a) for an amount in excess of £25 million; or b) which provides for any material limitation on the conduct of the Group's business.
5.7	The waiver of any claim or the compromise or settlement of any litigation, arbitration or other dispute resolution procedure by any Group company with an investor or any member of its investor group.
6. Corporate Governance Matters	
6.1	Any alteration of the Memorandum and / or Articles of Association (or equivalent constitutional documents) of any Group company or any change of the jurisdiction in which any Group company is incorporated.

6.2	The creation of any Committee of the Board of Kelda Holdings Limited or any subsidiary, including determining or changing the scope of authority of any such Committee.
6.3	Approving the Terms of Reference for the Board Committees for Kelda Holdings Limited and approving any material changes.
6.4	The appointment, retention, change or removal of the independent auditor of any Group company.
6.5	Determination of the fee to be paid to the independent auditor for Kelda Holdings Limited and subsidiaries, excluding Yorkshire Water Services Limited.
6.6	Authorising conflicts of interest for the Directors of Kelda Holdings Limited, where permitted by the Articles of Association.
6.7	Any change in the name of Yorkshire Water Services Limited or any other Material Subsidiary.
6.8	This schedule of Matters Reserved for Board approval.
7. Board Membership and Other Appointments	
7.1	Changes to the structure, size and composition of the Board of Kelda Holdings Limited.
7.2	The appointment or removal (and termination of the employment) of a) the Chief Executive of Kelda Holdings Limited; b) any person with substantially equivalent responsibilities as the Chief Executive of Kelda Holdings Limited; and c) the Group Finance Director any other senior executives of Kelda Holdings Limited.
7.3	The appointment or removal (and termination of the employment) of the Chairman or Non-Executive Directors of Kelda Holdings Limited.
7.4	Appointments to and removals from the membership and Chairmanship of the Board Committees of Kelda Holdings Limited.
7.5	The appointment or removal of the Company Secretary of Kelda Holdings Limited.
7.6	The appointment or removal (and termination of the employment) of the Executive Directors of Yorkshire Water Services Limited and the appointment, removal or extension of the Term of Appointment of the Chairman and Independent Non-Executive Directors of Yorkshire Water Services Limited, following recommendation from the Board of Yorkshire Water Services Limited.

8. Remuneration	
8.1	The setting of, or any material amendment to, the Remuneration Policy for the Executive Directors, Non-Executive Directors and the Chairman of Kelda Holdings Limited, following consideration and recommendation by the Kelda Holdings Limited Remuneration Committee, and in accordance with the remuneration for Investor Directors and Alternate Investor Directors set out in the Shareholders' Agreement.
8.2	The setting of, or any material amendment to, the Remuneration Policy for the Executive Directors, Non-Executive Directors and Chairman of Yorkshire Water Services Limited, following consideration and recommendation by the Yorkshire Water Services Limited Board, and in accordance with the remuneration for Investor Directors and Alternate Investor Directors set out in the Shareholders' Agreement.
8.3	Approval of any payments proposed to current or past Executive Directors, Non-Executive Directors or the Chairman of Kelda Holdings Limited or Yorkshire Water Services Limited, which would fall outside of the approved Remuneration Policy.
8.4	The adoption of employee incentive plans of any Group company, or any material changes thereto.
8.5	The establishment of new pension schemes, major changes in the rules of any pension schemes or a change of trustees for Kelda Holdings Limited.
9. Communication	
9.1	The approval of press releases or external announcements, including stock exchange announcements, concerning matters decided by the Board or which may have a material impact on the reputation of the Group.
9.2	The approval of the Modern Slavery Act statement published annually on the Kelda Group website.

10. Policies	
10.1	<p>The adoption of the following Group policies, or any material changes thereto:</p> <ul style="list-style-type: none"> ▪ Environmental Policy ▪ Treasury Policy ▪ Health and Safety Policy ▪ Code of Ethics ▪ Auditor Independence Policy ▪ Competition Law Compliance Policy
10.2	Approval of any significant changes in accounting policies or practices for Kelda Holdings Limited or in relation to the consolidated Group financial statements.
10.3	Approval of the tax strategy for the Group and the related risk management strategy and framework.
10.4	Any changes to the overall level of Directors' and Officers' liability insurance for the Group or significant changes to the cover held.
11. Other	
11.1	Any political donations made by Kelda Holdings Limited or any other Group company, excluding Yorkshire Water Services Limited.
11.2	Any admission by Kelda Holdings Limited or any Material Subsidiary of its inability to pay its debts as they fall due, or the suspension of payment on any of its debts (other than where it is disputing such payment in good faith) or the announcement of its intention to do so.
11.4	Any step by Kelda Holdings Limited or any Material Subsidiary with a view to a composition, moratorium, assignment or similar arrangement with any of its creditors.
11.5	Any convening by Kelda Holdings Limited or any Material Subsidiary, its directors or its members of a meeting for the purpose of considering any resolution for, or any proposal to petition for, or to file documents with the court for, its winding-up, administration (whether out of court or otherwise) or dissolution or any such resolution being passed.
11.6	Any assistance in the presentation of, or any failure to oppose in a timely manner a petition for, the winding-up, administration (whether out of court or otherwise) or dissolution of Kelda Holdings Limited or any Material Subsidiary.

11.7	Any request by the directors or other officers of Kelda Holdings Limited or any Material Subsidiary for the appointment of, or the giving of any notice of their intention to appoint, or the taking of any step with a view to appointing a liquidator, trustee in bankruptcy, judicial custodian, compulsory manager, receiver, administrative receiver, administrator (whether out of court or otherwise) or similar officer.
11.8	Any other voluntary action by Kelda Holdings Limited or any Material Subsidiary in furtherance of its liquidation, administration (out of court or otherwise), reorganisation, recapitalisation or dissolution or the termination of its corporate status.